

AMENDED IN ASSEMBLY MARCH 29, 2005

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

## ASSEMBLY BILL

**No. 961**

**Introduced by Committee on Higher Education (Liu (Chair),  
Shirley Horton, Matthews, Nava, and Ruskin)**

February 18, 2005

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An act to amend Sections 69980, 69981, 69982, 69983, 69984, 69986, 69989, 69990, 69992, 69993, and ~~70901~~ <sup>89903</sup> of, and to add Section 94103 to, the Education Code, *to amend Section 10708 of, and to add Section 10708.5 to, the Public Contract Code, and to amend Section 1 of Chapter 402 of the Statutes of 2001*, relating to postsecondary education, *and making an appropriation therefor*.

### LEGISLATIVE COUNSEL'S DIGEST

AB 961, as amended, Committee on Higher Education. Postsecondary education: Golden State Scholarshare Trust: Board of Governors of the California Community Colleges: California Educational Facilities Authority: *California State University*.

(1) The Golden State Scholarshare Trust Act establishes the Golden State Scholarshare Trust, under the administration of the Scholarshare Investment Board, to provide financial aid for postsecondary education costs of participating students. The act authorizes the board to appoint a program administrator and determine his or her duties and compensation. The act authorizes the program administrator to enter into contracts on behalf of the board.

This bill would delete those provisions relating to a program administrator and, instead, authorize the board to appoint an executive director with similar powers. The bill would also authorize the executive director to conduct any business necessary for efficient operations of the board. The bill would additionally authorize the

board to delegate functions to investment managers, and would make related conforming changes.

(2) The act requires that participants in the program be permitted to ~~makeup~~ *make up* payments, in full or in part, for years in which they were eligible to contribute, but did not, for the benefit of a designated beneficiary. The act authorizes the amendment of participation agreements to provide for adjusted levels of payments based upon changed circumstances or changes in educational plans. The act requires that participation agreements be freely amended throughout their terms to enable participants to increase or decrease the level of participation.

The bill would delete the makeup payment provision, delete the participation agreement payment adjustment option for changed circumstances or changes in educational plans, and delete the participation level adjustment provision.

(3) The act requires program administrators to develop adequate measures to prevent certain excess contributions, to pay the balance of a participant's account to the participant under certain circumstances, to develop a method to make payment of qualified higher education expenses directly to higher education institutions for the benefit of designated beneficiaries and to control for fraud under any direct reimbursement method of payment. The act authorizes program administrators to develop a method to make payment of qualified higher education expenses directly to beneficiaries in a manner that is consistent with applicable federal requirements and restrictions.

The bill would delete references to program administrators, and instead impose the described responsibilities and powers on the board. The bill would delete that provision requiring the development of measures to prevent excess contributions.

(4) The act requires the board to submit an annual audited financial report on the operations of the trust by September 30.

This bill would change that date to October 31.

(5) The act requires the trust to provide an annual listing to the Franchise Tax Board on magnetic tape or other machine-readable form, and in a manner agreed upon by the Franchise Tax Board and the Scholarshare trust, of all distributions, including payment of benefits and refunds, to any individual with respect to an interest in a participation agreement. The act requires the listing to include the names, addresses, tax identification numbers, and type and amounts of each distribution, including interest earned and penalties imposed. The

act requires the trust to make a report to each participant or beneficiary of the type and amount of each distribution, including payment of benefits and refunds. The act requires the trust to report annually to each participant or beneficiary on the investment goal the participant will achieve if all future contributions with respect to that beneficiary are timely made.

The bill would specifically impose those requirements and other trust responsibilities on the board. The bill modifies the annual listing requirement to instead require an annual listing of distributions to individuals with respect to an interest in a participation agreement to the Franchise Tax Board at a time and in a manner and form as specified by the Franchise Tax Board. The bill would modify the individual report requirement to require the board to make a report to the appropriate individual of any distribution to any individual with respect to an interest in a participation agreement, at a time and in a form and manner as required by the Franchise Tax Board. The bill would delete the individual investment goal reporting requirement, and instead would require the board's report to include information on investments and education costs that participants can use to set savings goals and contribution amounts.

~~(6) Existing law establishes the California Community Colleges under the administration of the Board of Governors of the California Community Colleges. Existing law also establishes community college districts and authorizes them to provide instruction at campuses throughout the state.~~

~~Existing law requires the board of governors, upon adoption of a standard of encrypted digital signatures by the Secretary of State, to adopt regulations that permit the governing board of a community college district to allow student residency forms to be submitted electronically.~~ *State University under the administration of the Trustees of the California State University. Existing law authorizes the establishment of auxiliary organizations of the university for various purposes consistent with the mission of the university. Existing law requires the governing board of each auxiliary organization to meet on at least a quarterly basis.*

~~This bill would delete this requirement~~ *instead require that the governing boards of these auxiliary organizations meet on at least an annual basis.*

(7) Existing law establishes the California Educational Facilities Authority Act, the purpose of which is to provide private institutions

of higher education within the state an additional means by which to expand, enlarge, and establish dormitory, academic, faculty and staff housing, and related facilities, finance those facilities, refinance existing facilities, and to provide private and public institutions of higher education within the state an additional means to assist students in financing their costs of attendance.

This bill would specify that only the authority is responsible for the administration, pursuant to the act, of the state's participation in the Federal Family Education Loan Program. The bill would prohibit a city, county, city and county, district, or other local jurisdiction from operating, authorizing, or requesting a corporation or agency to conduct operations for this purpose.

*(8) Existing law, the California State University Contract Law, provides, among other things, that when, in the opinion of the Trustees of the California State University, the best interests of the university so dictate, the trustees may enter into an agreement with a contractor to provide all or significant portions of the design services and construction services relating to the erection, construction, alteration, painting, repair, or improvement of a state structure, building, road, or other state improvement of any kind.*

*This bill would require that, when the design of portions of the building project permits the selection of subcontractors, the contractor competitively bid those portions. The bill would also require the contractor to provide to the trustees a list of subcontractors whose work is in excess of ½ of 1% of the total project cost as soon as the subcontractors are identified. The bill would further require that, once the subcontractors are listed, they shall have the rights provided in the Subletting and Subcontracting Fair Practices Act.*

*The bill would, notwithstanding a provision of existing law that requires the Department of General Services to approve, with respect to access compliance, plans and specifications for state buildings that are intended for use by the public and constructed with state funds, authorize the trustees to perform this function for California State University buildings and facilities that are intended for use by the public and constructed with state funds.*

*(9) Existing law establishes the various campuses of the California State University, including the campus of California State University, Channel Islands, under the administration of the Trustees of the California State University.*

*Existing law authorizes the trustees to exchange a portion of a prescribed parcel located approximately 8 miles from, and maintained by, the California State University, Channel Islands, for land, or for a combination of land and money, in accordance with prescribed criteria. Existing law provides that any funds received from the transaction authorized by this provision would be appropriated to the trustees for expenditure, without regard to fiscal years, for construction and capital development of projects that are eligible for state support, following review and approval by the Department of Finance. Existing law requires that the expenditure of funds received under these provisions be consistent with the master plan of the campus for which the project is proposed. Existing law also requires that any funds received under these provisions that are not encumbered prior to January 1, 2007, revert to the General Fund.*

*This bill would additionally authorize the university to sell the 262-acre parcel and to use the proceeds of that sale to acquire a specified parcel. Any proceeds of the sale of land authorized by the bill would be deposited into a continuously appropriated fund. Because the bill would authorize the deposit of moneys into that continuously appropriated fund from a new source, the bill would make an appropriation. The bill would move to January 1, 2012, the date on which any funds, received under these provisions and not previously encumbered, would revert to the General Fund.*

Vote: majority. Appropriation: ~~no~~-yes. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 69980 of the Education Code is  
2 amended to read:  
3 69980. As used in this article, the following terms have the  
4 following meanings, unless the context requires otherwise:  
5 (a) "Scholarshare trust," "trust," "Scholarshare," "or Golden  
6 State Scholarshare College Savings Trust" means the Golden  
7 State Scholarshare Trust established pursuant to this act.  
8 (b) "Administrative fund" means the funds used to administer  
9 the Golden State Scholarshare Trust Act.  
10 (c) "Beneficiary" has the same meaning as "designated  
11 beneficiary," as provided in paragraph (1) of subsection (e) of  
12 Section 529 of the Internal Revenue Code of 1986, as it is

1 amended from time to time, if, as determined by the board, the  
2 amendment is consistent with the purposes of this article.

3 (d) “Benefits” means the payment of higher education  
4 expenses on behalf of a beneficiary by the Scholarshare trust  
5 during the beneficiary’s attendance at an institution of higher  
6 education.

7 (e) “Board” means the Scholarshare Investment Board  
8 established pursuant to subparagraph (B) of paragraph (2) of  
9 subdivision (a) of Section 69984.

10 (f) “Executive director” means the administrator of the  
11 Scholarshare trust appointed by the board to administer and  
12 manage the trust.

13 (g) “Institution of higher education” has the same meaning as  
14 “eligible educational institution,” as provided in paragraph (5) of  
15 subsection (e) of Section 529 of the Internal Revenue Code of  
16 1986, as it is amended from time to time, if, as determined by the  
17 board, the amendment is consistent with the purposes of this  
18 article.

19 (h) “Investment manager” means a manager contracted to  
20 perform functions delegated by the board.

21 (i) “Participant” means an individual, trust, estate, partnership,  
22 association, company or corporation, a custodian under the  
23 Uniform Gifts to Minors Act or the Uniform Transfers to Minors  
24 Act, a state or local government agency, or a legal representative  
25 of a participant who has entered into a participation agreement  
26 pursuant to this act. “Participant” also means an account owner.

27 (j) “Participation agreement” means an agreement between a  
28 participant and the Scholarshare trust, pursuant to this act.

29 (k) “Program fund” means the program fund established by  
30 this act, which shall be held as a separate fund within the  
31 Scholarshare trust.

32 (l) “Qualified higher education expenses” means the expenses  
33 of attendance at an institution of higher education as provided in  
34 paragraph (3) of subsection (e) of Section 529 of the Internal  
35 Revenue Code of 1986, as it is amended from time to time, if, as  
36 determined by the board, the amendment is consistent with the  
37 purposes of this article, and as determined and certified by the  
38 institution of higher education in the same manner as prescribed  
39 in Title IV of the Higher Education Act of 1965 (20 U.S.C. Sec.  
40 10871l, as amended).

1 (m) "Tuition and fees" means the quarterly or semester  
2 charges imposed to attend an institution of higher education and  
3 required as a condition of enrollment.

4 SEC. 2. Section 69981 of the Education Code is amended to  
5 read:

6 69981. (a) There is hereby created an instrumentality of the  
7 State of California to be known as the Golden State Scholarshare  
8 Trust.

9 (b) The purposes, powers, and duties of the trust are vested in,  
10 and shall be exercised by, the board.

11 (c) The board, in the capacity of trustee, shall have the power  
12 and authority to do all of the following:

13 (1) Sue and be sued.

14 (2) Make and enter into contracts necessary for the  
15 administration of the Scholarshare trust.

16 (3) Adopt a corporate seal and change and amend it from time  
17 to time.

18 (4) Cause moneys in the program fund to be held and invested  
19 and reinvested.

20 (5) Enter into agreements with any institution of higher  
21 education or any federal or other state agency or other entity as  
22 required for the effectuation of its rights and duties.

23 (6) Accept any grants, gifts, appropriation, and other moneys  
24 from any unit of federal, state, or local government or any other  
25 person, firm, partnership, or corporation for deposit to the  
26 administrative fund or the program fund. Except as otherwise  
27 provided in Section 69982, the trust may not accept any  
28 contribution by any nonpublic entity, person, firm, partnership,  
29 or corporation that is not designated for a specified beneficiary.

30 (7) Enter into participation agreements with participants, as set  
31 forth in Section 69983.

32 (8) Make payments to institutions of higher education pursuant  
33 to participation agreements on behalf of beneficiaries.

34 (9) Make refunds to participants upon the cancellation of  
35 participation agreements pursuant to the provisions, limitations,  
36 and restrictions set forth in this article.

37 (10) Appoint an executive director, who shall serve at the  
38 pleasure of the board, and determine the duties of the executive  
39 director and other staff as necessary and set their compensation.  
40 The board may authorize the executive director to enter into

1 contracts on behalf of the board or conduct any business  
2 necessary for the efficient operation of the board.

3 (11) Delegate functions to investment managers.

4 (12) Make provisions for the payment of costs of  
5 administration and operation of the Scholarshare trust.

6 (13) Carry out the duties and obligations of the Scholarshare  
7 trust pursuant to this article and have any and all other powers as  
8 may be reasonably necessary for the effectuation of the purposes,  
9 objectives, and provisions of this article pertaining to the  
10 Scholarshare trust, as set forth in Section 69982.

11 (d) The board shall adopt regulations as it deems necessary to  
12 implement this article and Article 20 (commencing with Section  
13 69995) consistent with the federal Internal Revenue Code and  
14 regulations issued pursuant to that code to ensure that this  
15 program meets all criteria for federal tax-deferral or tax-exempt  
16 benefits, or both.

17 SEC. 3. Section 69982 of the Education Code is amended to  
18 read:

19 69982. In addition to effectuating and carrying out all of the  
20 powers granted by this act, the board shall have all powers  
21 reasonably necessary to carry out and effectuate the purposes,  
22 objectives, and provisions of this act pertaining to the  
23 Scholarshare trust, including, but not necessarily limited to, the  
24 power to do all of the following:

25 (a) Carry out studies and projections in order to advise  
26 participants regarding present and estimated future higher  
27 education expenses and the levels of financial participation in the  
28 trust required in order to enable participants to achieve their  
29 education funding objectives.

30 (b) Contract for goods and services and engage personnel,  
31 including consultants, actuaries, managers, counsel, and auditors,  
32 as necessary for the purpose of rendering professional,  
33 managerial, and technical assistance and advice.

34 (c) Participate in any other way in any federal, state, or local  
35 governmental program for the benefit of the Scholarshare trust.

36 (d) Promulgate, impose, and collect administrative fees and  
37 charges in connection with transactions of the Scholarshare trust,  
38 and provide for reasonable service charges, including penalties  
39 for cancellations.



1 (e) Procure insurance against any loss in connection with the  
2 property, assets, or activities of the Scholarshare trust.

3 (f) Administer the funds of the Scholarshare trust.

4 (g) Procure insurance indemnifying any member of the board  
5 from personal loss or liability resulting from a member's action  
6 or inaction as a member of the board.

7 (h) Adopt reasonable regulations for the administration of the  
8 Scholarshare trust.

9 (i) Set minimum and maximum investment levels.

10 (j) (1) Except as otherwise provided in this section, the overall  
11 maximum investment level for a designated beneficiary shall not  
12 exceed the amount equivalent to the maximum estimated  
13 qualified higher education expenses, as defined by subdivision (l)  
14 of Section 69980 and established by the board, that can be  
15 incurred by a beneficiary. The maximum investment level shall  
16 be published by the board as a monetary amount, in order to state  
17 contribution limits clearly and to encourage participation on  
18 behalf of beneficiaries who will attend all types of higher  
19 education institutions, both public and independent.

20 (2) Contributions by entities exempt from taxation pursuant to  
21 Section 501(c)(3) of the Internal Revenue Code and state and  
22 local government agencies operating bona fide scholarship  
23 programs for the benefit of beneficiaries to be named when the  
24 scholarships are awarded are not subject to maximum  
25 contribution limits.

26 SEC. 4. Section 69983 of the Education Code is amended to  
27 read:

28 69983. The Scholarshare trust may enter into participation  
29 agreements with participants on behalf of beneficiaries pursuant  
30 to the following terms and agreements:

31 (a) The board may specify a required minimum length of time  
32 before distributions for higher education expenses may be made,  
33 and may impose a penalty on the early distribution of funds if  
34 deemed by the board to be necessary.

35 (b) Beneficiaries designated in participation agreements may  
36 be designated from date of birth.

37 (c) Participants shall be informed that the execution of a  
38 participation agreement by the trust shall not guarantee in any  
39 way that higher education expenses will be equal to projections

1 and estimates provided by the trust or that the beneficiary named  
2 in any participation agreement will do any of the following:

3 (1) Be admitted to an institution of higher education.

4 (2) If admitted, be determined a resident for tuition purposes  
5 by the institution of higher education.

6 (3) Be allowed to continue attendance at the institution of  
7 higher education following admission.

8 (4) Graduate from the institution of higher education.

9 (5) Have sufficient savings to cover fully all qualified  
10 education expenses of attending an institution of higher  
11 education.

12 (d) Beneficiaries may be changed as permitted by the  
13 regulations of the board upon request of the participant, provided  
14 that the substitute beneficiary is eligible.

15 (e) Participation agreements shall be freely amended  
16 throughout their terms in order to enable participants to change  
17 the designation of beneficiaries and carry out similar matters.

18 (f) Each participation agreement shall provide that the  
19 participation agreement may be canceled upon the terms and  
20 conditions set forth and contained in the regulations adopted by  
21 the board.

22 (g) All contributions to Scholarshare accounts shall be in cash.

23 SEC. 5. Section 69984 of the Education Code is amended to  
24 read:

25 69984. (a) (1) The board shall segregate moneys received by  
26 the Scholarshare trust into two funds, which shall be identified as  
27 the program fund and the administrative fund. Notwithstanding  
28 Section 13340 of the Government Code, the program fund is  
29 hereby continuously appropriated, without regard to fiscal years,  
30 to the board for the purposes of this article. Funds in the  
31 administrative fund shall be available for expenditure, upon  
32 appropriation, for the purposes specified in this article.

33 (2) (A) The board shall separately account for any moneys  
34 received by an entity exempt from taxation under Section  
35 501(c)(3) of the Internal Revenue Code or a state or local  
36 government agency, depositing the money for the benefit of a  
37 beneficiary to be named later pursuant to the operation of a bona  
38 fide scholarship program.

39 (B) There is hereby created the Scholarshare Investment  
40 Board, which consists of the Treasurer, the Director of Finance,

1 the Secretary of Education, a member of the Student Aid  
2 Commission appointed by the Governor, a member of the public  
3 appointed by the Governor, a representative from a California  
4 public institution of higher education appointed by the Senate  
5 Committee on Rules, and a representative from a California  
6 independent college or university or a state-approved college,  
7 university, or vocational/technical school appointed by the  
8 Speaker of the Assembly. The Treasurer shall serve as chair of  
9 the board. The board shall annually prepare and adopt a written  
10 statement of investment policy. The board shall consider the  
11 statement of investment policy and any changes in the investment  
12 policy at a public hearing. The board shall approve the  
13 investment management entity or entities consistent with  
14 subparagraph (D).

15 (C) Not later than 30 days after the close of each month, the  
16 investment manager shall place on file for public inspection  
17 during business hours a report with respect to investment  
18 performance. The investment manager shall report the following  
19 information, to the extent applicable, to the board within 30 days  
20 following the end of each month:

21 (i) The type of investment, name of the issuer, date of  
22 maturity, par and dollar amount invested in each security,  
23 investment, and money within the program fund.

24 (ii) The weighted average maturity of the investments within  
25 the program fund.

26 (iii) Any amounts in the program fund that are under the  
27 management of an investment manager.

28 (iv) The market value as of the date of the report and the  
29 source of this valuation for any security within the program fund.

30 (v) A description of the compliance with the statement of  
31 investment policy.

32 (D) Moneys in the program fund may be invested or  
33 reinvested by the Treasurer or may be invested in whole or in  
34 part under contract with an investment manager, as determined  
35 by the board.

36 (b) Transfers may be made from the program fund to the  
37 administrative fund for the purpose of paying operating costs  
38 associated with administering the trust and as required by this  
39 act. On an annual basis, expenditures from the administrative  
40 fund shall not exceed more than 1 percent of the total program

1 fund. All costs of administration of the trust shall be paid out of  
2 the administrative fund.

3 (c) All moneys paid by participants in connection with  
4 participation agreements shall be deposited as received into the  
5 program fund, and shall be promptly invested and accounted for  
6 separately. Deposits and interest thereon accumulated on behalf  
7 of participants in the program fund of the Scholarshare trust may  
8 be used for payments to any institution of higher education.

9 SEC. 6. Section 69986 of the Education Code is amended to  
10 read:

11 69986. For all purposes of California law, the following  
12 apply:

13 (a) The participant shall retain ownership of all contributions  
14 made under any participation agreement up to the date of  
15 utilization for payment of higher education costs for the  
16 beneficiary, and all interest derived from the investment of the  
17 payments made by the participant shall be deemed to be held in  
18 trust for the benefit of the beneficiary. Neither the contributions,  
19 nor any interest derived therefrom, may be pledged as collateral  
20 for any loan.

21 (b) In the event the participation agreement is canceled prior to  
22 payment of higher education expenses for the beneficiary, the  
23 participant shall retain ownership of all contributions made under  
24 the participation agreement and reversionary right to receive  
25 interest on all the contributions at the rate of interest at which the  
26 contributions were invested.

27 (c) Notwithstanding subdivision (b), if there has been a  
28 decrease in the value of the funds in a participant's account at the  
29 time of cancellation of the participation agreement, the  
30 participant shall not have ownership rights to any amount above  
31 the market value of the funds in the account at the time of  
32 cancellation.

33 (d) The board shall develop adequate measures to prevent  
34 contributions on behalf of a designated beneficiary in excess of  
35 the maximum contribution limits provided for in this article.

36 (e) If the beneficiary graduates from an institution of higher  
37 education and has no intention of further attendance at an  
38 institution of higher education, and a balance remains in the  
39 participant's account, then the Scholarshare trust shall pay the  
40 balance to the participant.

1 (f) The board shall develop a method to make payment of  
2 qualified higher education expenses directly to higher education  
3 institutions for the benefit of designated beneficiaries and to  
4 control for fraud under any direct reimbursement method of  
5 payment that it may adopt. The institution of higher education  
6 shall obtain ownership of the payments made for the higher  
7 education expenses paid to the institution at the time each  
8 payment is made to the institution.

9 (g) The board may also develop a method to make payment of  
10 qualified higher education expenses directly to beneficiaries in a  
11 manner that is consistent with applicable federal requirements  
12 and restrictions.

13 (h) Any amounts paid pursuant to the Golden State  
14 Scholarshare Trust that are not listed in this section shall be  
15 owned by the trust.

16 (i) A participant may transfer ownership rights to another  
17 eligible participant, including, but not necessarily limited to, a  
18 gift of the ownership rights to an eligible minor beneficiary  
19 pursuant to this act. The transfer shall be effected and the  
20 property distributed in accordance with administrative  
21 regulations adopted by the board or the terms of the participation  
22 agreement.

23 (j) Custodians for a minor under the Uniform Gifts to Minors  
24 Act or the Uniform Transfers to Minors Act may enter into  
25 participation agreements in accordance with regulations adopted  
26 by the board.

27 SEC. 7. Section 69989 of the Education Code is amended to  
28 read:

29 69989. (a) The board shall submit an annual audited financial  
30 report, prepared in accordance with generally accepted  
31 accounting principles, on the operations of the Scholarshare trust  
32 by October 31 to the Governor, the Controller, the State Auditor,  
33 and the Legislature. The annual audit shall be made by an  
34 independent certified public accountant, and shall include, but  
35 *need* not be limited to, direct and indirect costs attributable to the  
36 use of outside consultants, independent contractors, and any  
37 other persons who are not state employees. Any contributions to  
38 the Scholarshare trust fund that are not directed to a specified  
39 beneficiary shall be accounted for and treated separately in the  
40 annual audit.

(b) The annual audit shall be supplemented by the following information prepared by the board:

(1) Any studies or evaluations prepared in the preceding year.

(2) A summary of the benefits provided by the trusts, including the number of participants and beneficiaries in the trust.

(3) Any other information that is relevant in order to make a full, fair, and effective disclosure of the operations of the Scholarshare trust.

SEC. 8. Section 69990 of the Education Code is amended to read:

69990. (a) The board shall provide an annual listing of distributions to individuals with respect to an interest in a participation agreement to the Franchise Tax Board at a time and in a manner and form as specified by the Franchise Tax Board. The taxpayers' identification numbers obtained through the participation agreement process shall be used exclusively for state and federal tax administration purposes.

(b) The board shall make a report to the appropriate individual of any distribution to any individual with respect to an interest in a participation agreement, at a time and in a form and manner as required by the Franchise Tax Board.

(c) The board also shall report annually to each participant or beneficiary all of the following:

(1) The value of the beneficiary's account.

(2) The interest earned thereon.

(3) The rate of return of the investments in the beneficiary's account for that reporting period.

(4) Information on investments and education costs that participants can use to set savings goals and contribution amounts.

(5) Information regarding the trends in qualified higher education expenses at the state's public segments of higher education, which shall include, but need not be limited to, the following:

(A) The actual increase or decrease in qualified higher education expenses in the prior year.

(B) To the extent possible, any proposals by the segments to increase or decrease fees or tuition in the next fiscal year.

1 (C) To the extent possible, any proposals by the Legislature or  
2 the Governor to increase or decrease fees or tuition in the next  
3 fiscal year.

4 (D) An Internet Web site and toll-free telephone number  
5 where the names of the State Senator and Assembly Member  
6 who represent the district in which the participant or beneficiary  
7 resides, and a business address and telephone number where they  
8 may be reached, may be accessed.

9 (d) The board, as an advocate for affordable higher education  
10 opportunities for participants and beneficiaries of the program,  
11 shall also provide a means for participants or beneficiaries to  
12 express concerns or comments regarding the Scholarshare trust  
13 program and any information required to be reported by this  
14 section.

15 SEC. 9. Section 69992 of the Education Code is amended to  
16 read:

17 69992. The board shall aggressively market this program to  
18 the citizens of the State of California. The board shall include in  
19 its marketing efforts information designed to educate citizens  
20 about the benefits of saving for higher education and information  
21 to help them decide the level of Scholarshare participation and  
22 the combination of savings strategies that may be appropriate for  
23 them. The board shall also develop a mechanism to keep  
24 participants in this program motivated about their current and  
25 future academic endeavors.

26 SEC. 10. Section 69993 of the Education Code is amended to  
27 read:

28 69993. Funding for startup and first-year administrative costs  
29 shall be appropriated from the General Fund in the annual  
30 Budget Act. The board shall repay, within five years, the amount  
31 appropriated, plus interest calculated at the rate earned by the  
32 Pooled Money Investment Account. Necessary administrative  
33 costs in future years shall be paid out of the administrative fund.

34 ~~SEC. 11. Section 70901.1 of the Education Code is amended~~  
35 ~~to read:~~

36 ~~70901.1. The Board of Governors of the California~~  
37 ~~Community Colleges shall adopt regulations that permit the~~  
38 ~~governing board of a community college district to allow~~  
39 ~~applications for admission to be submitted electronically. The~~

~~regulations shall require that applicants be informed of the relative security of the information they submit electronically.~~

*SEC. 11. Section 89903 of the Education Code is amended to read:*

89903. (a) (1) Each auxiliary organization formed pursuant to this article shall have a board of directors composed, both as to size and categories of membership, in accordance with regulations established by the Trustees of the California State University.

(2) If, in any fiscal year, a majority of the funding of the auxiliary organization is received from student fees collected on a campus or systemwide, at least a majority of the board of directors of that auxiliary organization shall consist of California State University students with full voting privileges on that board. This paragraph shall only be applicable to effectuate a change in the membership of a board of directors of an auxiliary organization if the trustees determine that there is no legal or contractual barrier to changing the governing structure of that organization. In the event that the trustees determine that there is a legal or contractual barrier to changing the governing structure of an auxiliary organization, information relating to that determination shall be reported, in a timely manner, to that auxiliary organization and any affected student body organization.

(b) Each governing board shall, during each fiscal year, hold at least one business meeting ~~each quarter~~ in accordance with Article 2 (commencing with Section 89920). The board shall have the benefit of the advice and counsel of at least one attorney admitted to practice law in this state and at least one licensed certified public accountant. Neither the attorney at law nor the certified public accountant need be members of the board.

(c) No auxiliary organization shall accept any grant, contract, bequest, trust, or gift, unless it is so conditioned that it may be used only for purposes consistent with policies of the trustees.

*SEC. 12. Section 94103 is added to the Education Code, to read:*

94103. The authority is responsible for the administration, pursuant to this chapter, of the state's participation in the Federal Family Education Loan Program established under Title IV of the federal Higher Education Act of 1965. No city, county, city



1 and county, district, or other local jurisdiction shall operate,  
2 authorize, or request a corporation or agency to conduct  
3 operations for this purpose.

4 *SEC. 13. Section 10708 of the Public Contract Code is*  
5 *amended to read:*

6 10708. (a) When, in the opinion of the trustees, the best  
7 interests of the California State University dictate, the trustees  
8 may enter into an agreement with a contractor to provide all or  
9 significant portions of the design services and construction of a  
10 project under this chapter. The contractor shall design the project  
11 pursuant to the scope of services set forth in the request for  
12 proposals, build the project, and present the completed project to  
13 the trustees for their approval and acceptance. ~~Work~~

14 (b) *Work* under this section shall be carried out by a contractor  
15 chosen by a competitive bidding process that employs selection  
16 criteria in addition to cost. Any design work performed pursuant  
17 to this section shall be prepared and signed by an architect  
18 certificated pursuant to Chapter 3 (commencing with Section  
19 5500) of Division 3 of the Business and Professions Code.

20 (c) *When the design of portions of the project permits the*  
21 *selection of subcontractors, the contractor shall competitively*  
22 *bid those portions. The contractor shall provide to the trustees a*  
23 *list of subcontractors whose work is in excess of one-half of one*  
24 *percent of the total project cost as soon as the subcontractors are*  
25 *identified. Once listed, the subcontractors shall have the rights*  
26 *provided in the Subletting and Subcontracting Fair Practices Act*  
27 *(Chapter 4 (commencing with Section 4100) of Part 1).*

28 *SEC. 14. Section 10708.5 is added to the Public Contract*  
29 *Code, to read:*

30 10708.5. *Notwithstanding Section 4454 of the Government*  
31 *Code, the trustees shall review, for compliance with the*  
32 *California Building Standards Code and, specifically, for*  
33 *compliance with the access compliance provisions, as adopted by*  
34 *the Building Standards Commission for application to state*  
35 *agencies, plans and specifications for all California State*  
36 *University buildings and facilities that are intended for use by*  
37 *the public and that are constructed, in whole or in part, with*  
38 *state funds. No contract shall be awarded until the trustees issue*  
39 *written approval stating that the plans and specifications comply*

1 *with the intent of Chapter 7 (commencing with Section 4450) of*  
2 *Division 5 of Title 1 of the Government Code.*

3 *SEC. 15. Section 1 of Chapter 402 of the Statutes of 2001 is*  
4 *amended to read:*

5 Section 1. (a) Notwithstanding any other provision of law,  
6 the Trustees of the California State University may exchange *or*  
7 *sell* a portion of the 262-acre parcel of property known as the  
8 lemon orchard parcel *under the jurisdiction of* and maintained by  
9 California State University, Channel Islands, and that is located  
10 approximately eight miles northwest of the campus of California  
11 State University, Channel Islands, ~~for~~. *The trustees may use the*  
12 *proceeds of a sale made pursuant to this subdivision to acquire a*  
13 *parcel bounded by Lewis Road on the northwest, California State*  
14 *University, Channel Islands, and the Camrosa Water District on*  
15 *the south, and farmlands on the northeast and east.*

16 (b) Any exchange *or sale* of properties carried out pursuant to  
17 this section shall be for no less than fair market value for the  
18 lemon orchard parcel, as determined by an independent appraisal.  
19 Compensation for the lemon orchard parcel may include land, or  
20 a combination of land and money.

21 (c) Notwithstanding any other provision of law, any exchange,  
22 *acquisition, or sale* of properties carried out pursuant to this  
23 section shall be subject to the Property Acquisition Law (Part 11  
24 (commencing with Section 15850) of Division 3 of Title 2 of the  
25 Government Code).

26 (d) Notwithstanding Section 13340 of the Government Code  
27 or any other provision of law, any funds received from the  
28 transaction authorized by this section are hereby appropriated to  
29 the trustees for expenditure, without regard to fiscal ~~year~~ *years*,  
30 for construction and capital development of projects that are  
31 eligible for state support, following review and approval by the  
32 Department of Finance. The expenditure of funds received under  
33 this section shall be for projects that are consistent with the  
34 master plan of the campus for which the project is proposed. Any  
35 funds received under this subdivision that are not encumbered  
36 prior to January 1, ~~2007~~ 2012, shall revert to the General Fund.